

RatingsDirect®

Summary:

Taunton, Massachusetts; General Obligation

Primary Credit Analyst:

Victor M Medeiros, Boston (1) 617-530-8305; victor_medeiros@standardandpoors.com

Secondary Contact:

Nicole T Ridberg, New York (1) 212-438-4704; nicole_ridberg@standardandpoors.com

Table Of Contents

Rationale

Outlook

Related Criteria And Research

Summary:

Taunton, Massachusetts; General Obligation

Credit Profile

Taunton GO

Unenhanced Rating

A+(SPUR)/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services affirmed its 'A+' underlying rating (SPUR) on Taunton, Mass.' general obligation (GO) debt. The outlook is stable.

The ratings reflect our assessment of the city's:

- Stable employment due to its access to the larger Boston and Providence, R.I. labor areas;
- A still good financial position, despite recent declines to available reserves; and
- A low debt burden, net of state aid and self-supporting enterprise fund operations.

Offsetting these strengths are, in our view, Taunton's:

- Inconsistent financial performance;
- Past delayed financial reporting; and
- Sizable long-term liabilities

The city's GO bonds are secured by its full faith and credit pledge.

Taunton, with a population of about 56,700, is in southeastern Massachusetts, about 37 miles south of Boston (AA+/Stable) and 16 miles east of Providence (A/Stable). The city's location and proximity to these two larger employment centers provide access to jobs for local residents. Unemployment was 7.4% in September of 2012, below its 2011 average, and the median household effective buying income remains good at 90% of the national level.

Assessed value (AV) has declined by 23% since peaking in fiscal 2007, but a number of new developments and business expansions should help stabilize the tax base for the near-to-intermediate term. On the whole, while Standard & Poor's believes there are signs of taxable values stabilizing, it is currently uncertain when that will be reflected in future AV. Based on our forecasts, we believe that the median home prices throughout New England will be flat or see some modest growth through 2013. Despite the soft real-estate environment, market value remains, in our view, a strong \$84,000 per capita. Taunton's property tax base is, in our opinion, very diverse, with the 10 leading taxpayers accounting for less than 5% of AV.

Taunton's financial statements were issued on a delayed basis. The delays were the result of staffing and difficulty in collecting data regarding various state aid amounts due to the city. We note, however, management has been better in producing financial disclosures in a timelier basis. Currently, management projects that the audited fiscal 2012 financial statements will be available around March 2013.

In fiscal years 2009, 2010, and 2011, Taunton realized an operating deficit of \$3.5 million (2.5% of budget), \$1.8 million (1.2%), and \$3.5 million (2.2%), respectively. Although total available reserves remain good, these operating deficits narrowed the city's financial flexibility as stabilization reserves were essentially exhausted. At the close of fiscal 2011, the city reported a total fund balance of \$10.1 million, equivalent to 6.3% of expenditures. Of that amount, roughly \$6.6 million (4.1% of expenditures) was unassigned fund balance and about \$1.9 million was reserved for encumbrances.

For fiscal 2012, Taunton closed its budget gap by maintaining wages flat and by increasing the tax levy by the full amount allowable under proposition 2-1/2. Although the audit is not yet finalized, the city is projecting favorable operating results. Most revenue items have come in above projections and expenditures also posted favorable variances. The city is projecting about \$10 million in unassigned general fund balance and a total fund equity of about \$13 million.

We consider Taunton's financial policies "standard" under Standard & Poor's Financial Management Assessment, indicating that the finance department maintains adequate policies in some, but not all, key areas. The 2013 city budget is balanced with the expectation of maintaining reserves at current levels. Real estate taxes account for 45% of general fund revenues and state aid account for 37%. On the whole, revenue collections remain stable.

Taunton's overall net debt burden is low, in our view, due to self-supporting enterprise fund operations. The city's overall net debt is 1.3 % and about \$1000 per capita. Amortization of debt outstanding is rapid, in our view, with 74% to be retired over 10 years and 100% by 2031. In 2011, the city's debt service carrying charge carrying charge was low, in our view, at 6% of expenditures.

Taunton's pension plan had an unfunded accrued actuarial liability of \$95 million as of January 2010, a 67% funded level. The city's unfunded other postemployment benefits liability on a pay-as-you-go basis is \$285 million. While the city has explored ways to lower the liability, fully funding the annual required contribution will remain a considerable challenge. The annual required contribution for 2011 was \$19.4 million, and the city's contribution was 38% of that level.

Outlook

The stable outlook on Taunton's nonstate-qualified bonds reflects Standard & Poor's expectations that the city will maintain good operating flexibility over the next two years. While we don't anticipate a change in the rating over our two-year outlook horizon, if financial performance deteriorates and reserves decline to merely adequate levels, the long-term rating could weaken.

Related Criteria And Research

- USPF Criteria: GO Debt, Oct. 12, 2006
- USPF Criteria: State Credit Enhancement Programs, Nov. 13, 2008

Ratings Detail (As Of November 27, 2012)

Taunton GO

Ratings Detail (As Of November 27, 2012) (cont.)

<i>Unenhanced Rating</i>	A+(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Complete ratings information is available to subscribers of RatingsDirect on the Global Credit Portal at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.

Copyright © 2012 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED, OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses, and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw, or suspend such acknowledgement at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal, or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain nonpublic information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.